

Highway User Revenue Fund

Fiscal Year 2002 Year- End Report



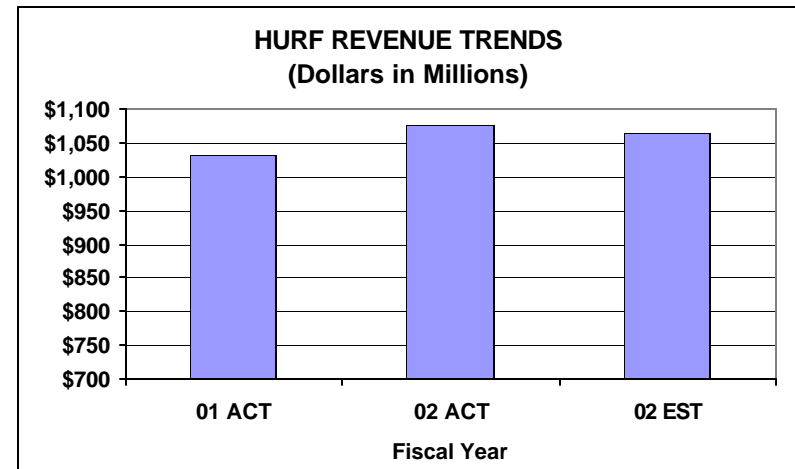
ARIZONA DEPARTMENT OF TRANSPORTATION
FINANCIAL MANAGEMENT SERVICES
OFFICE OF FINANCIAL PLANNING
AUGUST 2002

Highway User Revenue Fund

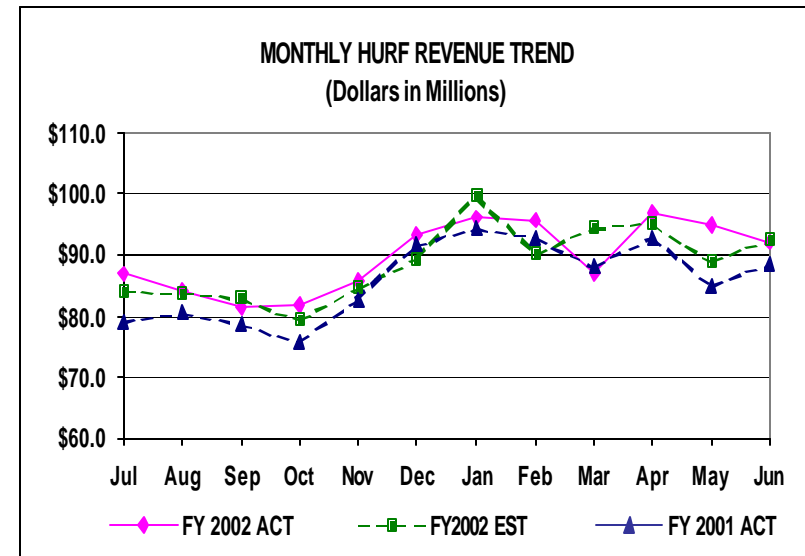
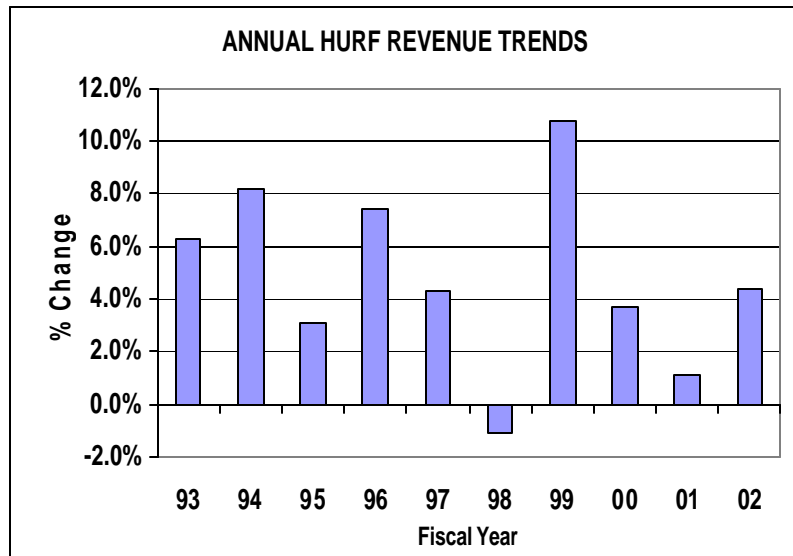
Executive Summary

The State of Arizona taxes motor fuels and collects fees relating to the registration and operation of motor vehicles, including gasoline and use fuel taxes, motor carrier fees, motor vehicle registration fees, vehicle license taxes (VLT), and other miscellaneous fees. Revenues are deposited in the Arizona Highway User Revenue Fund (HURF) and are then distributed to the cities, towns and counties and to the State Highway Fund. These fees and taxes are a major source of revenue to the state for highway construction, improvements and other related expenditures.

In spite of a sluggish economy, FY 2002 HURF collections totaled \$1,076.4 million, an increase of 4.4 percent over FY 2001 revenue collections and 1.0 percent above the estimate of \$1,065.8 million. With the exception of the motor carrier category, all other revenue categories posted gains over last year. Lower fuel prices, new vehicle finance incentives and population growth contributed to the growth in HURF collections for FY 2002. The decrease in the motor carrier revenues was attributable to one-time weight distance refunds for prior fiscal years.



Revenue Trend Analysis



Since FY 1993, HURF collections have consistently shown positive growth with the exception of FY 1998. Considering the sluggish Arizona economy and the tragic events in September 2001, FY 2002 HURF collections posted better than estimated results. With the uncertainty in air travel, consumers opted to travel more by vehicle instead of airplane. In addition, consumers benefited from vehicle financing incentives which contributed to the growth in the Vehicle License Tax (VLT) collections.

FY 2002 HURF revenues were consistent with this trend. When comparing the monthly actual collections in FY 2002 to FY 2001, revenues were higher in every month except for March.

Performance By Category

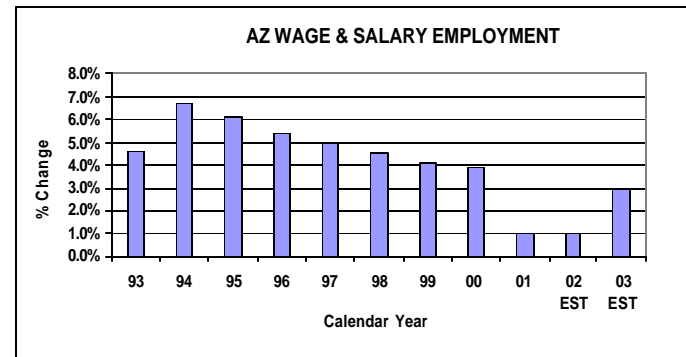
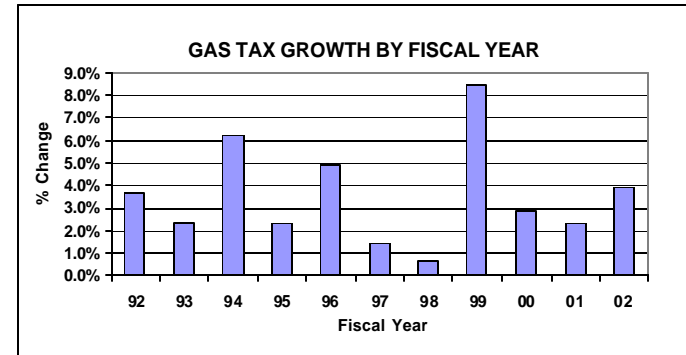
Gas Tax:

Gas tax collections totaled \$434.8 million, an increase of 3.9 percent above the FY 2001 collections and 1.7 percent over the estimate. The largest component of the HURF collections is the gas tax which contributed 40.1 percent to total HURF revenues. The gas tax growth rate increased to 3.9 percent in FY 2002 from 2.3 percent in FY 2001. This increase in gasoline tax revenues is attributed to the lower gas prices and population growth.

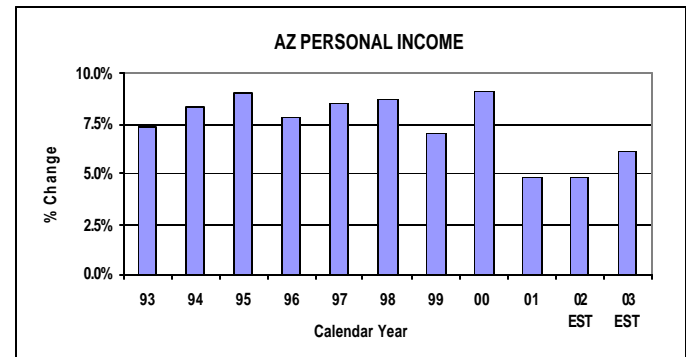
Arizona wage and salary employment, and Arizona personal income are viewed as predictors of gasoline revenue growth. The June 2002 Arizona Blue Chip reports Arizona wage and salary employment grew by 1.0 percent in Calendar Year (CY) 2001. The consensus estimates for CY 2002 and CY 2003 are 1.0 and 3.0 percent, respectively.

Arizona personal income increased by 4.8 percent in CY 2001 and is estimated to increase in CY 2002 and CY 2003 by 4.8 and 6.1 percent, respectively.

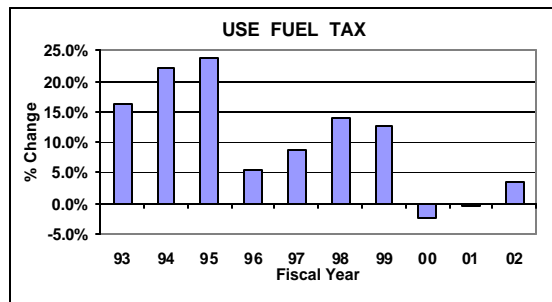
The wage and salary and personal income estimates may be on the optimistic side considering the continued economic uncertainty at the national level.



Source: Arizona Blue Chip Forecast, 6/02

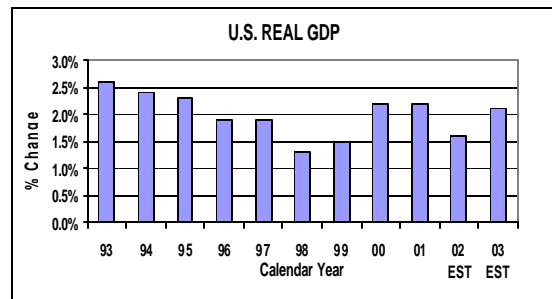


Source: Arizona Blue Chip Forecast, 6/02



USE FUEL TAX:

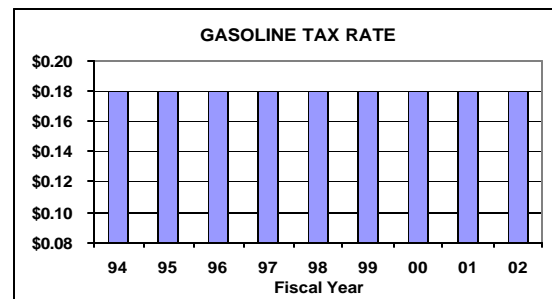
The use fuel tax collections for FY 2002 totaled \$161.5 million, an increase of 3.6 percent from FY 2001 but 0.4 percent below the estimate. The lower revenue growth in the use fuel collections is due mainly to the sluggish economy.



The U.S. real gross domestic product (GDP), which is directly correlated to commercial activities and the trucking traffic, is used to indicate the amount of use fuel consumption. For CY 2001, the U.S. Real GDP grew at a rate of 2.2 percent. The Arizona Blue Chip estimates the U.S. Real GDP will grow at a rate of 1.6 percent in CY 2002 and 2.1 percent in CY 2003.

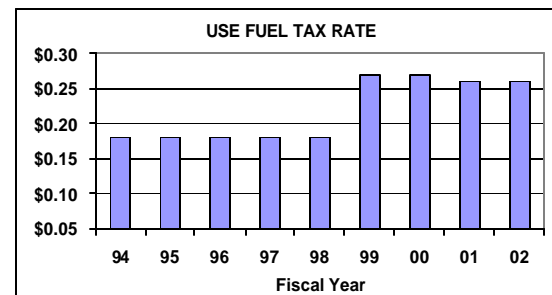
Source: Arizona Blue Chip Forecast, 6/02

GASOLINE TAX RATE:



The gasoline tax rate of \$.18 per gallon has not change since FY 1991 when it was increased by \$.01 per gallon.

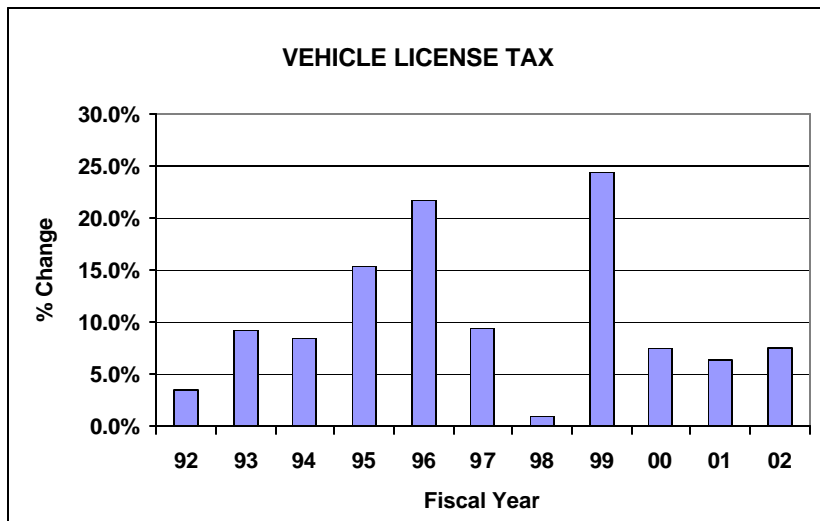
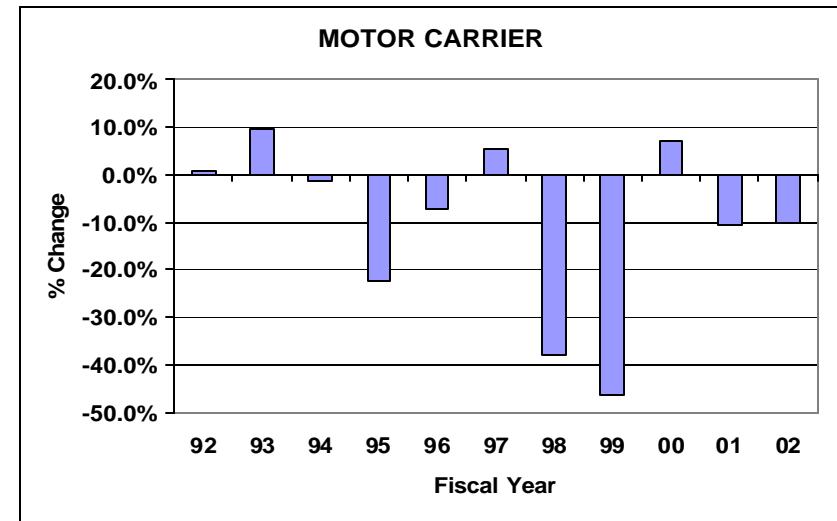
USE FUEL TAX RATE:



The use fuel tax rate chart on the left shows the use fuel tax rate per gallon in effect at the beginning of each fiscal year. The large increase in FY 1999 includes a \$0.09 per gallon tax increase imposed on use fuel consumed by “use class” vehicles per Laws 1997, Chapter 8. This increase replaced the \$0.08 per gallon surcharge on use fuel from January 1, 1994 through September 30, 1997, which is not reflected in this chart. As of July 1, 2000, the use fuel tax rate was reduced from \$0.27 to \$0.26 per gallon as part of the 1997 legislation.

MOTOR CARRIER FEE:

The motor carrier fee collections for FY 2002 totaled \$29.3 million, a decrease of 10.2 percent from FY 2001 and 11.3 percent below the estimate. The decrease in motor carrier fee collections was due mainly to a one-time weight distance fee refund of \$3.1 million for prior fiscal years. Without this refund, the difference between FY 2002 and FY 2001 motor carrier fee collections was negligible.



VEHICLE LICENSE TAX:

In FY 2002, VLT revenues totaled \$270.7 million, an increase of 7.6 percent over FY 2001. The growth in VLT revenues was mainly due to the generous financing incentives provided by auto manufacturer's on the purchase of new vehicles. In addition, Laws 2000, Chapter 198 took effect on January 1, 2002, which requires the registration plate and fee to follow the owner of the vehicle. This legislation provided a modest one-time revenue acceleration in VLT collections.

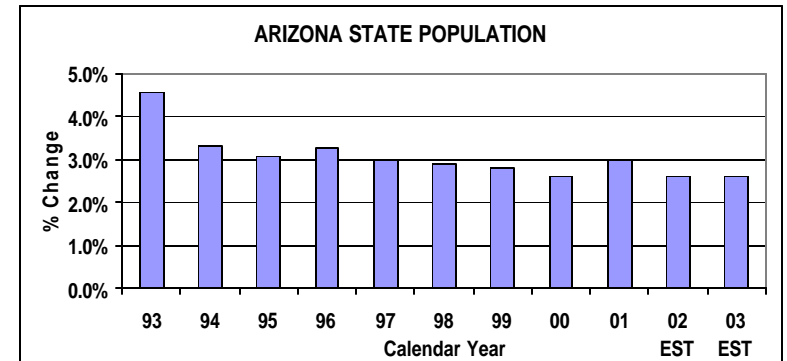
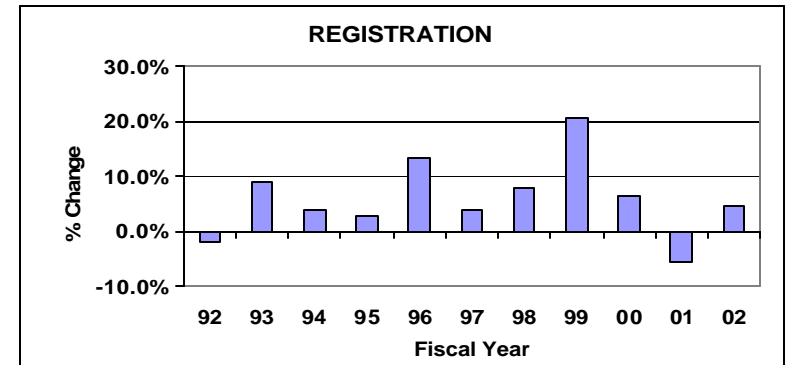
REGISTRATION:

FY 2002 registration collections totaled \$138.2 million, an increase of 4.5 percent over FY 2001 and 2.5 percent over the estimate. In FY 2002, the increases in the county registration and apportioned fees were partially offset by the decrease in miscellaneous registration revenues. Arizona 's population, along with Laws 2001, Chapter 221, which requires the permanent registration of commercial trailers, contributed to the increase in county registration revenues.

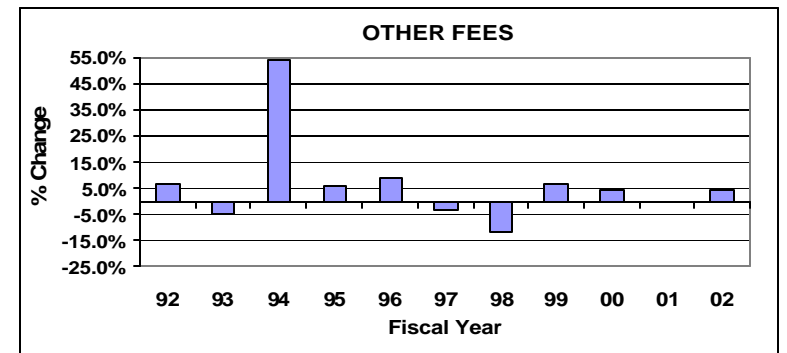
According to the Arizona Blue Chip, Arizona's population grew to 5.3 million in CY 2001, a 3 percent increase over CY 2000 and is expected to grow by 2.6 percent in CY 2002. The population growth will contribute to the growth in county registration collections.

OTHER FEES:

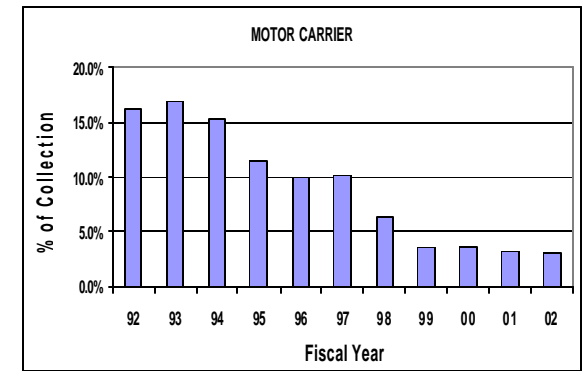
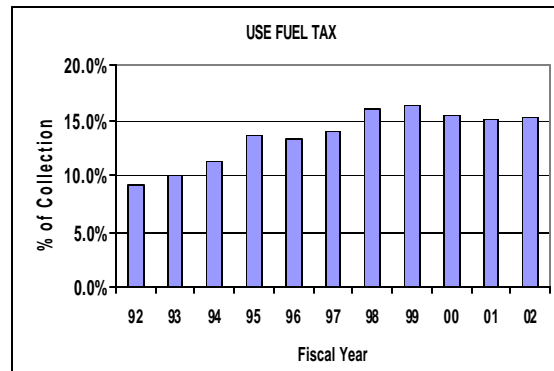
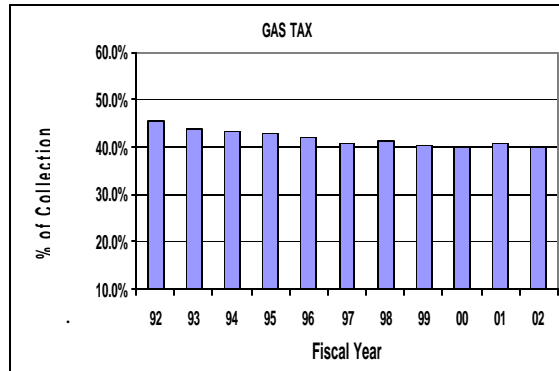
Other fees collections totaled \$41.9 million in FY 2002, an increase of 4.3 percent over FY 2001 and 5.5 percent over the estimate. This increase was due mainly to increases in operator licenses, use fuel permits and penalties, and special plate revenues. However, the growth in other fees was offset by the increase in credit card reimbursements and retained fees to the Motor Vehicle Division third party contractors.



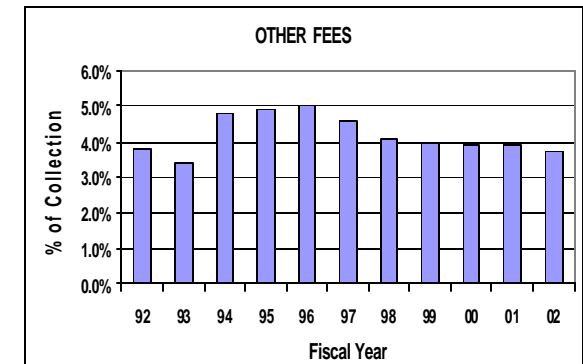
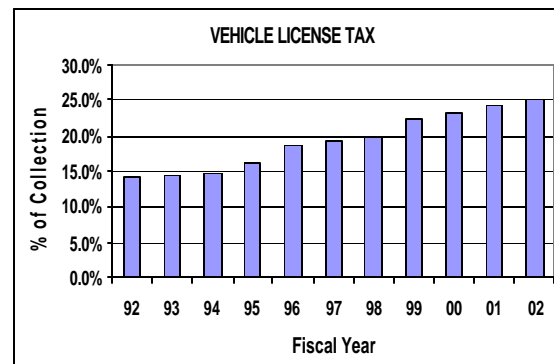
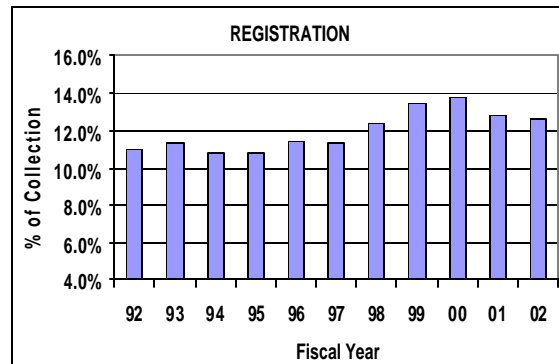
Source: Arizona Blue Chip Forecast, 6/02



Revenue Composition Comparison



In spite of Arizona's sluggish economy, HURF revenues grew remarkably well during FY 2002. The VLT contribution to the HURF collections continues to grow faster than other revenue categories. VLT benefits from inflation adjusted new car prices, higher disposable income and steady population growth. The decrease in motor carrier revenues as a percent of HURF was due to legislative changes passed in 1994 and 1997, which eventually replaced the Arizona weight distance tax with a fee based strictly on weight.

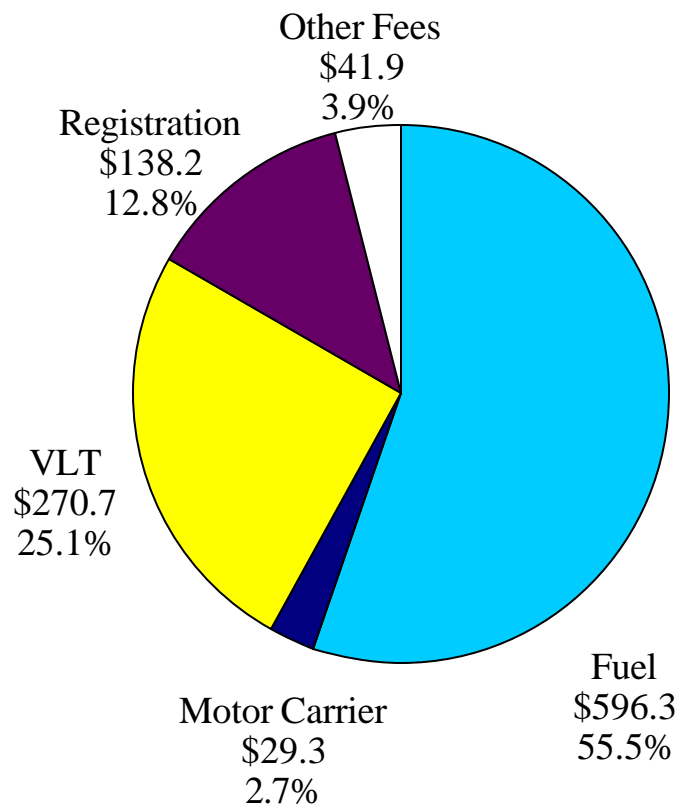


ARIZONA HIGHWAY USER REVENUE FUND SOURCES AND DISTRIBUTION OF FUNDS

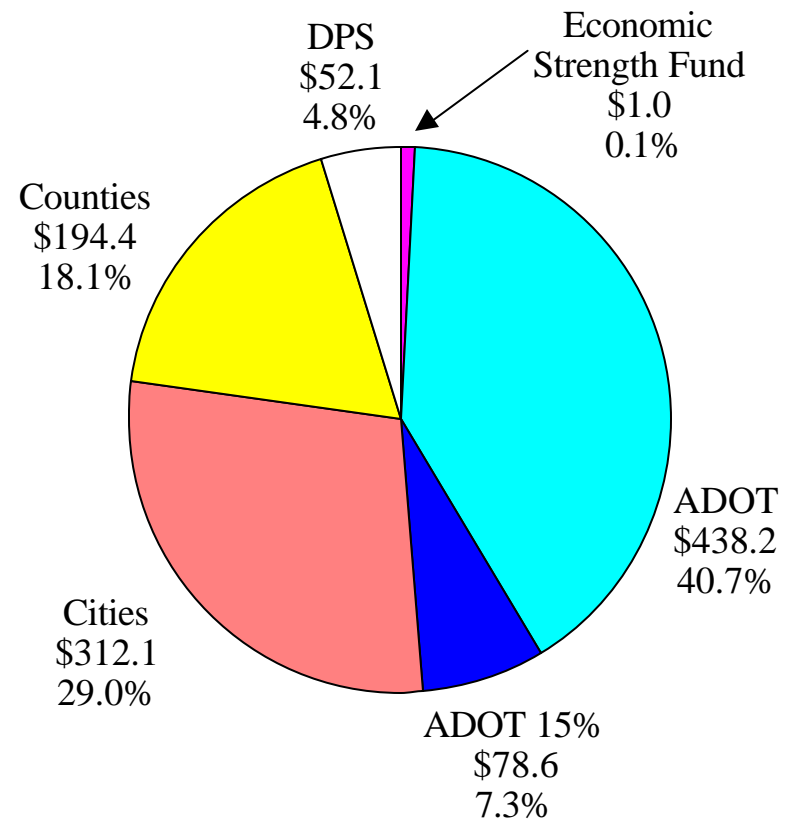
FY 2002

TOTAL: \$1,076.4 MILLION

SOURCES



DISTRIBUTION



NOTE: ADOT 15% represents ADOT's allocation of HURF for MAG and PAG regional projects.

Arizona Highway User Revenue Fund

Revenue Comparison Statement

CATEGORY	FY 2001 ACTUAL	FY 2002 ACTUAL	CHANGE	FY 2002 ESTIMATE	CHANGE
GAS TAX	\$418,399,657	\$434,817,721	3.9%	\$427,600,000	1.7%
USE FUEL TAX	155,859,243	161,507,309	3.6%	162,100,000	-0.4%
SUBTOTAL	574,258,900	596,325,030	3.8%	589,700,000	1.1%
MOTOR CARRIER	32,677,923	29,346,709	-10.2%	33,100,000	-11.3%
VEHICLE LICENSE TAX	251,612,410	270,640,770	7.6%	268,500,000	0.8%
COUNTY REGISTRATION	62,370,379	66,895,811	7.3%	60,754,588	10.1%
APPORTIONED	58,757,375	60,402,384	2.8%	62,822,588	-3.9%
MISC. REGISTRATION	11,141,160	10,911,367	-2.1%	11,222,824	-2.8%
SUBTOTAL	132,268,914	138,209,562	4.5%	134,800,000	2.5%
TITLE FEES	6,830,596	6,984,740	2.3%	6,763,886	3.3%
OPERATOR LICENSES	14,076,647	14,712,051	4.5%	14,892,180	-1.2%
OVERSIZE PERMITS	4,814,005	5,045,335	4.8%	4,364,006	15.6%
INQUIRY FEES	8,332,872	8,270,565	-0.7%	8,524,371	-3.0%
STATION FUEL FEES	1,300,143	2,202,076	69.4%	1,388,519	58.6%
INVESTMENT INTEREST	2,156,408	1,899,428	-11.9%	2,200,000	-13.7%
MISCELLANEOUS FEES	2,636,433	2,758,450	4.6%	1,567,038	76.0%
SUBTOTAL	40,147,104	41,872,645	4.3%	39,700,000	5.5%
TOTAL	\$1,030,965,251	\$1,076,394,716	4.4%	\$1,065,800,000	1.0%

Details may not add to the total due to individual rounding.

Arizona Highway User Revenue Fund

Revenue Collections By Category

(Dollars In Thousands)

FY 1992- 2002

Fiscal Year	Vehicle						Total /1
	Gas Tax	Use Fuel Tax	Motor Carrier	License Tax	Registration	Other	
1992	\$307,879	\$61,910	\$109,573	\$96,146	\$74,180	\$25,507	\$675,195
1993	315,227	72,008	120,303	105,027	80,717	24,161	717,443
1994	334,643	87,913	118,530	113,990	83,826	37,161	776,063
1995	342,299	108,790	92,103	131,562	86,159	39,238	800,152
1996	358,961	114,780	85,433	160,145	97,601	42,654	859,575
1997	363,953	124,748	90,186	175,253	101,528	41,294	896,962
1998	366,377	142,167	63,846	176,950	101,722	36,425	887,487
1999	397,463	160,312	34,150	220,126	131,952	38,775	982,779
2000	409,137	156,599	36,563	236,547	140,345	40,409	1,019,599
2001	418,400	155,859	32,678	251,613	132,269	40,147	1,030,965
2002	434,818	161,507	29,347	270,641	138,210	41,873	1,076,395
Total	\$4,049,157	\$1,346,593	\$812,712	\$1,938,000	\$1,168,509	\$407,644	\$9,722,615

1/ Details may not add to the total due to individual rounding.

Arizona Highway User Revenue Fund

Revenue Distributions

(Dollars In Thousands)

FY 1992-2002

FISCAL YEAR	ARIZONA HIGHWAY FUND	MAG CONTROLLED ACCESS	PAG CONTROLLED ACCESS	CITIES AND TOWNS	COUNTIES	DEPT. OF PUBLIC SAFETY / 1	ECONOMIC STRENGTH PROJECT FUND / 2	OTHER MISCELLANEOUS APPROPRIATIONS	TOTAL / 7
1992	\$288,991	\$38,111	\$12,704	\$201,394	\$119,068	\$12,453	\$1,000	\$1,473 / 3	\$675,195
1993	302,176	39,846	13,282	210,531	124,468	24,928	1,000	1,212 / 3	717,443
1994	328,151	43,270	14,423	228,606	135,157	24,925	1,000	532 / 3	776,063
1995	339,752	44,890	14,963	237,920	140,627	20,000	1,000	1,000 / 4	800,152
1996	365,016	48,607	16,202	256,988	151,762	20,000	1,000		859,575
1997	376,193	50,573	16,858	267,931	166,908	17,500	1,000		896,962
1998	373,206	50,171	16,724	265,803	165,583	15,000	1,000		887,487
1999	413,371	55,571	18,524	294,410	183,403	12,500	1,000	4,000 / 5	982,779
2000	430,668	57,896	19,299	306,729	191,077	12,500	1,000	430 / 6	1,019,599
2001	433,248	58,243	19,415	308,567	192,222	12,500	1,000	5,770 / 6	1,030,965
2002	438,230	58,913	19,638	312,115	194,433	52,066	1,000		1,076,395
Total	\$4,089,002	\$546,091	\$182,031	\$2,890,994	\$1,764,708	\$224,372	\$11,000	\$14,417	\$9,722,615

Note:

- 1/ In recent fiscal years, the legislature has authorized the distribution of Arizona Highway User Revenue to the Arizona Department of Public Safety for highway patrol expenditures.
- 2/ The Economic Strength Project Fund was statutorily established on May 17, 1989. Money in the fund is to be used for highway projects that provide economic benefits to the State or local jurisdictions.
- 3/ Appropriation to the Motor Vehicle Division for funding of mandatory insurance enforcement administration.
- 4/ Appropriation to the Motor Vehicle Division for improvements to border area ports of entry.
- 5/ Appropriation to the Department of Commerce for Williams Gateway Authority roadway projects.
- 6/ Appropriation for the Prescott Regional Transportation Center.
- 7/ Details may not add to the total due to individual rounding.

HURF DISTRIBUTION TO ARIZONA CITIES AND COUNTIES FY 2001 -2002

COUNTY	CITY	COUNTY	CITY	COUNTY	CITY	COUNTY	CITY	COUNTY	CITY	COUNTY	CITY	
Apache		\$6,199,004.46		La Paz		\$2,977,044.14		Pima		\$37,208,960.93		
	Eagar		\$1,191,130.52		Parker		\$960,460.64		Marana		\$1,023,489.36	
	Springerville		\$574,917.04		Quartzite		\$1,003,522.07		Oro Valley		\$2,242,211.57	
	St. Johns		\$962,617.24						South Tucson		\$417,680.98	
				Maricopa		\$78,141,081.77			Tucson		\$43,757,097.78	
Cochise		\$6,817,722.58			Apache Junction		\$17,704.62		Sahuarita		\$245,353.57	
	Benson		\$356,920.05		Avondale		\$2,227,396.75					
	Bisbee		\$458,835.55		Buckeye		\$486,293.67		Pinal		\$9,606,611.78	
	Douglas		\$1,085,610.04		Carefree		\$180,792.54			Apache Junction		\$2,352,179.27
	Huachuca City		\$131,380.06		Cave Creek		\$231,316.52			Casa Grande		\$1,876,861.08
	Sierra Vista		\$2,871,181.63		Chandler		\$10,946,942.44			Coolidge		\$578,550.91
	Tombstone		\$114,913.48		El Mirage		\$472,640.87			Eloy		\$770,635.27
	Wilcox		\$282,725.15		Fountain Hills		\$1,254,816.47			Florence		\$1,139,727.82
					Gila Bend		\$123,072.51			Kearny		\$167,396.93
Coconino		\$10,145,130.18			Gilbert		\$6,798,271.61			Mammoth		\$131,343.88
	Flagstaff		\$7,771,415.77		Glendale		\$13,579,198.41			Superior		\$241,106.62
	Fredonia		\$153,222.28		Goodyear		\$1,174,461.77			Queen Creek		\$9,017.06
	Page		\$1,000,932.63		Guadalupe		\$325,015.72			Winkelman		\$157.24
	Williams		\$417,313.60		Litchfield Park		\$236,187.92					
	Sedona		\$434,798.37		Mesa		\$30,129,033.20		Santa Cruz		\$2,578,805.38	
					Paradise Valley		\$849,451.20					
Gila		\$3,177,018.04			Peoria		\$6,719,894.32			Nogales		\$2,106,681.41
	Globe		\$706,297.03		Phoenix		\$100,405,369.30			Patagonia		\$89,155.08
	Hayden		\$84,038.72		Queen Creek		\$261,343.39					
	Miami		\$182,610.62		Scottsdale		\$12,573,650.81		Yavapai		\$9,273,650.47	
	Payson		\$1,287,910.04		Surprise		\$1,916,742.06			Camp Verde		\$779,167.25
	Winkelman		\$41,139.43		Tempe		\$9,853,831.11			Chino Valley		\$645,323.72
					Tolleson		\$309,570.08			Clarkdale		\$282,545.13
Graham		\$2,075,494.82			Wickenburg		\$316,689.73			Cottonwood		\$757,505.01
	Pima		\$147,855.29		Youngtown		\$186,356.13			Jerome		\$26,783.89
	Safford		\$686,525.45							Prescott		\$2,794,254.97
	Thatcher		\$298,680.77							Prescott Valley		\$1,936,672.53
				Mohave		\$9,600,944.30				Sedona		\$595,644.06
					Bullhead City		\$3,170,588.62			Peoria		\$45.77
Greenlee		\$654,672.78			Colorado City		\$312,807.60					
	Clifton		\$192,166.64		Kingman		\$1,884,203.02					
	Duncan		\$60,050.09		Lake Havasu City		\$3,933,158.06		Yuma		\$8,952,614.04	
										Somerton		\$601,199.03
				Navajo		\$7,023,776.39				San Luis		\$1,273,506.85
					Pinetop/Lakeside		\$469,237.39			Welton		\$151,748.03
					Holbrook		\$646,203.54			Yuma		\$6,414,400.54
					Show Low		\$1,006,018.07					
					Snowflake		\$584,341.98					
					Taylor		\$416,804.45					
					Winslow		\$1,249,361.54					
FISCAL YEAR 2001-2002 TOTALS:												
CITIES:				\$312,115,380.23								
COUNTIES:				\$194,432,532.06								

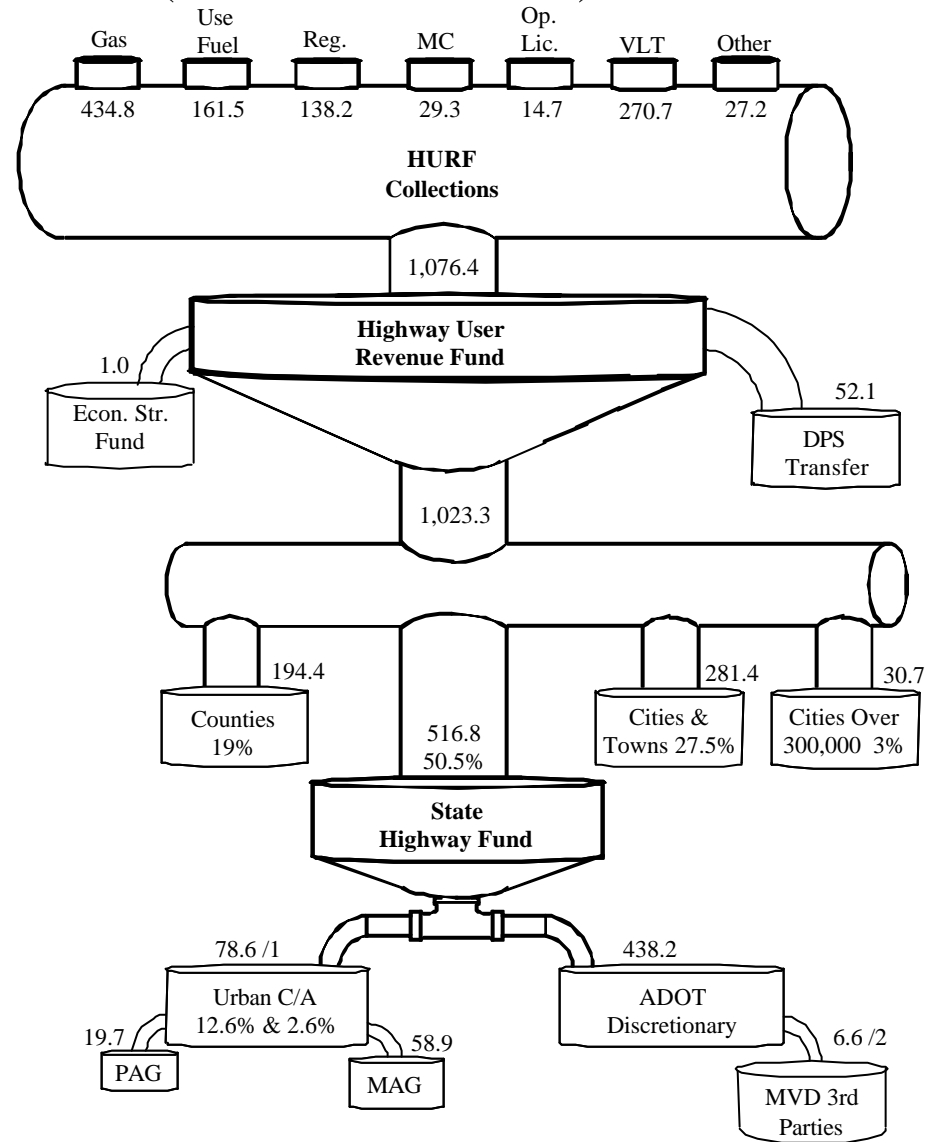
Highway User Revenue Fund Distribution Overview

Revenues from: \$.18 Gas Tax \$.26 Use Fuel Tax (7/00) Vehicle Registration Motor Carrier Fee 44.99% of VLT (12/00) Other	Distribution breakdown: 50.5% to State Highway Fund 27.5% to Cities & Towns 3% to Cities over 300,000 19% to Counties	Distribution formulas: 7.67% to Maricopa and Pima Counties for Controlled Access with a 75% and 25% split respectively. (Statutory 12.6% & Special 2.6% money) 4 2.83% to ADOT Discretionary. One half distributed on basis of incorporated population and one half on the basis of county origin of gasoline sales and city or town population within each county. Distributed to Phoenix, Tucson and Mesa based on population. Distributed based on a portion of gasoline distribution and diesel fuel consumption and on a portion of unincorporated population. The split is as follows: 85/15 in FY 1997, 80/20 in FY 1998, 76/24 in FY 1999, and 72/28 in FY 2000 and thereafter)
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ARIZONA DEPARTMENT OF TRANSPORTATION

FY 2002 HURF ACTUAL REVENUE DISTRIBUTION FLOW

(Dollars in Millions)



NOTES:

/1. The 12.6% (statutory) and 2.6% (non-statutory) allocations from the State Highway Fund share of HURF distributions.

/2. With the elimination of the VLT distribution to the state highway fund, a distribution is made from the state highway fund to MVD Third Parties for the collection of VLT.

REVENUE CATEGORY DEFINITIONS

GASOLINE TAX	A per-gallon tax imposed on gasoline used by vehicles on Arizona highways; presently this tax is \$0.18 per gallon.
USE FUEL TAX	Includes all gases and liquids used to propel motor vehicles on the highways in this state except for motor fuel (gasoline). Use fuel consists primarily of diesel fuel. Diesel fuel tax was \$0.27 per gallon, but dropped to \$0.26 per gallon on July 1, 2000 for “use class” vehicles. “Non-use class” vehicles continue to pay \$0.18 per gallon. Jet fuel is exempt from fuel and use fuel taxes.
MOTOR CARRIER FEE	A fee imposed on certain commercial carriers based on vehicle weight. Category also includes: Motor Carrier License Tax, Motor Carrier Tax Penalties, late fees and interest, and Motor Carrier Permits Tax, and application fees.
VEHICLE LICENSE TAX	An annual license tax imposed on registered vehicles in lieu of property taxes.
REGISTRATION FEES	<p>Is made up of three distinct components:</p> <p>County Registration - non-commercial and commercial vehicle registration, and commercial weight fees.</p> <p>Apportioned Registration - commercial registration fees allocated according to miles traveled in Arizona.</p> <p>Miscellaneous Registration - Non-resident Permits, Unassigned Registration, Prorate Stickers, and Registration Penalties.</p>
OTHER FEES	Includes Title Fees, Operator Licenses, Oversize/Overweight Permits and Highway Fines, Inquiry Fees, Use Fuel Permits and Fuel Tax Penalties, Investment Interest, Special Plates, and Other Miscellaneous Fees, less Credit Card Fees.